

ONTARIO ENERGY BOARD

EB-2018-0305

Enbridge Gas Inc.

2019 Rates Application

Submission of the
QUINTE MANUFACTURERS ASSOCIATION

July 4, 2019

INTRODUCTION

The Quinte Manufacturers Association (“QMA” or “Association”) appreciates the opportunity to have participated as an intervenor in the above-noted proceeding. Certain issues on the approved Issues List were relevant to the concerns of the QMA.

The QMA represents more than 120 manufacturers employing more than 9,000 people in the greater Bay of Quinte region which includes the cities of Belleville and Quinte West. Another 27,000 jobs are directly or indirectly impacted by these manufacturers. The Association assists local manufacturing leaders improve their capabilities, competitiveness and sustainability. The QMA encourages and supports a strong and healthy manufacturing sector that benefits our communities directly and contributes to continuing employment and business growth opportunities in the region. Our members use natural gas in various ways to support manufacturing and processing.

Pursuant to Procedural Order No. 4, the Association is pleased to offer the following comments on the unsettled issues in response to the approved Settlement Proposal, to which the QMA was a Party, and the Argument-in-Chief of Enbridge Gas Distribution Inc. dated June 17, 2019.

UNSETTLED ISSUES

Issue 1: Has Enbridge Gas responded appropriately to all relevant OEB directions from previous proceedings?

The QMA is not in a position to determine whether Enbridge Gas Inc. (“EGI”) has responded appropriately to *all* (emphasis added) relevant Ontario Energy Board (“OEB”) directions from previous proceedings or not. Until now, the QMA has not been an intervenor or party to any previous legacy Union or Enbridge proceeding, but has reviewed certain aspects of previous proceedings related to this proceeding.

Issue 5(b) and (g to l): Should the proposed changes be made to the accounting orders for the following deferral accounts?

(b) The QMA does not object to EGI’s proposal to adjust the wording of Account No. 179.48 Open Bill Revenue Variance Account and further described in EGI’s Argument-in Chief on page 5.¹

¹ EGI Argument-in Chief, pg.5

(g to l) The QMA takes no position on the proposed changes to deferral accounts: 179-136; 179-137; 179-142; 179-144; 179-149 and 179-156.

Issue 7: Are any rate design proposals appropriate in the context of previous OEB decisions including:

(a) Given EGI is a new corporation as a result of the merger of legacy Union Gas and Enbridge Gas Distribution Inc., the QMA recognizes that the utility's costs must be fairly recovered through rates. It is also recognized that the capital pass-through project investments have been committed, and the related utility tax timing differences must be settled. The QMA does not object to EGI's proposed one-time adjustment to rates concerning the revenue requirement for the pass-through projects in the Union rate zone and the tax timing difference.²

The Association does not view the one-time adjustment to be a "traditional" rate design change issue per se, but rather a consequence of the merger of the legacy utilities and related project planning issues. However, the QMA is concerned that the potential for inadequate system or project planning, or management control on future projects that are unable to be supported through rates may trigger the need identify more "discrete" projects and intensify the need for increased ICM funding requests (beyond threshold values) in future years. This, in the QMA's opinion would have a direct impact on rate design for EGI.

Issue 9: Do the USP and AMPs support the approval of the ICMs?

The QMA recognizes the value and importance of the Utility System Plan ("USP") and specific Asset Management Plans ("AMP") as they relate to the necessary ICM funding of required projects that are significant investments. Leave to construct applications (and approvals, already awarded, in the case of the four projects under consideration for ICM support in this Application) rely on the project proponents sound capital planning and risk mitigation process. The Association is of the opinion that the plans, as presented in evidence, reflect good business planning practice when it comes to ensuring the safety, security, and certainty of delivery of natural gas upon which end-use manufacturing customers rely. In this context, the Association is of the view that EGI must be permitted the flexibility to determine project priority through its approved planning process, and the applicability of ICM funding for those projects. The QMA recognizes that it is prudent business practice for EGI to have robust internal planning and

² Ex. I, Staff 8; EGI Argument-in-Chief, pg. 7

approval processes for projects that meet and hopefully exceed minimum OEB leave to construct standards without placing undue rate pressure on gas customers. The QMA believes the USP and the project specific AMP evidence support the approval of the ICMs projects in this proceeding.

Issue 10: Are the costs of the ICM projects appropriate, to the extent that they differ from the costs considered by the OEB in granting leave to construct?

The QMA recognizes that specific project related additional or unexpected burden and overhead costs that are incurred as a result of, for example, unforeseen pipe replacement needs or unexpected delays are factors in project planning and costing. The QMA is of the view that such costs would normally be included in the original capital planning and project budgeting work which would be supported in approved rates. However, the unintended cost consequences (increased burden and overhead) of changes in a project may not appear until later in the project development cycle as suggested in the business summaries and evidence for the ICM projects. Given the OEB granted leave to construct the projects, the QMA does not object to the funding request for each of the ICM projects as filed.

The QMA recognizes that EGI's system and asset management planning process was not an issue for this proceeding. However, the legitimate concerns raised by intervenors concerning the "overages" (conversely, the understated costs, and excluding tax timing differences) in the capital forecasts incurred in each of the ICM projects identifies potential areas of concern in the USP and AMP planning and development process. The QMA believes EGI's USP and AMP processes and procedures should be examined in detail in a future proceeding.

Issue 11: Is the NPS 30 Don River Replacement Project in the EGD rate zone eligible for Incremental Capital Module (ICM) funding?

Please see response to Issue 10 above.

Issue 12: Are the Sudbury Replacement Project in the Union North rate zone and the Kingsville Transmission Reinforcement and Stratford Reinforcement projects in the Union South rate zone eligible for ICM funding?

Please see response to Issue 10 above.

Issue 13: *Is Enbridge Gas' customer connection policy and Profitability Index calculation for consumers appropriate and in accordance with OEB guidelines?*

The QMA has no comment on this issue for customers in the Enbridge Gas Distribution rate zone.

COSTS

The Quinte Manufacturers Association has participated in this proceeding in an efficient and responsible manner. The QMA requests that it be awarded 100% of its reasonably incurred costs in respect of this matter.

All of which is respectfully submitted
July 4, 2019